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Mark A. Kaiser
Director

MEMORANDUM

TO: State Agency Payroll and HR Officers
FROM: OA/Division of Accounting
DATE: August 19, 2010
RE: Nonresident Aliens

Some foreign nationals working in the United States have a tax status of "nonresident alien" that requires special tax withholding. A new Employment Status code has been established to automatically compute additional federal income tax withholding requirements for nonresident aliens.

If an employee is a nonresident alien for taxation purposes, he or she may not be subject to FICA taxes, but are subject to higher federal income tax withholding. Previously, the higher federal income tax withholding was entered manually as ADTAX on the tax window. The new Employment Status code "N" has been created to automatically compute the correct withholding for nonresident aliens.

Agencies with nonresident alien employees should:

- Expire the ADTAX on the employee's tax window,
- Change the Employment Status code to "N" on their ESMT,
- Note "C19" as the Reason Code, and
- Provide an explanation for the change in the Remarks.
- These changes should all be effective 09/01/10.

As a reminder, in order for agencies to determine the correct tax status for foreign national employees, OA/Accounting has developed the Foreign National Data Request Form (FNDR). This form must be completed by any employee who marked, "Authorized to work in the United States until..." on their I-9. OA/Accounting will review this form to determine whether the employee is a "resident alien" or "nonresident alien" for taxation purposes. *Generally*, these employees will be international students. If an employee is a nonresident alien for taxation purposes, they will need to complete the FNDR form annually until they become a resident alien.

The Foreign National Data Request Form includes instructions for completing the form, as well as, examples of the types of documentation that must be provided with the form. The employee will complete and sign the form. The determination of the employee's status for tax purposes is a three-step process:

1. The agency will review the form and supporting documentation to ensure everything is complete and legible. They will forward the packet of information to OA/Accounting.
2. OA/Accounting will review the packet of information and determine the status of the employee for taxation purposes and identify the correct tax withholding requirements. The packet will be returned back to the agency.
3. The agency will ensure they have a properly completed W-4 Form and update the ESMT and TAX windows accordingly.

The Foreign National Data Request Form can be found at

<http://oa.mo.gov/mo/samii/hr/ForeignNationalDataRequestForm.pdf>.

You will find a Power Point presentation entitled "Nonresident Aliens and Foreign National Data Request Form Presentation" at

<http://oa.mo.gov/mo/samii/hr/NonresidentAliensForeignNationalDataRequestForm.pdf>. This presentation provides a more detailed explanation of nonresident versus resident aliens, examples, detailed instructions for completing the FNDR, the W-4 requirements for a nonresident alien, and how to set up the TAX and ESMT windows in SAM II HR.

The incorrect taxation of foreign national employees can result in a large tax bill for the employee, as well as, penalties for both the employee and your agency. Please ensure you have a completed FNDR for all employees who have marked "Eligible to work in the United States until....." on their I-9.

If you have any questions regarding the new process or the FNDR form, contact Tammy Childress at (573) 751-1992 or tammy.childress@oa.mo.gov.